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Message Text

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12/13
ORIGIN EB-11

INFO OCT-01 ISO-00 IO-14 AF-10 ARA-16 EA-11 EUR-25 NEA-14

RSC-01 FEA-02 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-03

COME-00 DODE-00 FPC-01 H-03 INR-11 INT-08 L-03

NSAE-00 NSC-07 OMB-01 PM-07 SAM-01 SCI-06 SP-03 SS-20

STR-08 TRSE-00 FRB-03 AGR-20 LAB-06 PA-04 TAR-02

USIA-15 PRS-01 SWF-02 OPIC-12 /285 R

66622
DRAFTED BY EB/IFD/ODF:REBENEDICK:WW
APPROVED BY EB/IFD:PHBOEKER
IO:JMCDONALD
TREAS:JBUSHNELL
CIEP:RSTERNFELD
OMB:ESANDERS
AID:PBIRNBAUM
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R 261909Z SEP 74
FM SECSTATE WASHDC
TO ALL DIPLOMATIC POSTS

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C O R R E C T E D C O P Y (MISSING LINE PARA 2 LINE 10)

E.O. 11652: N/A
TAGS: EFIN, EAID
SUBJECT: U.S. POSITION ON THE MOST SEVERELY AFFECTED
COUNTRIES (MSA'S)
1. FOLLOWING IS FOR YOUR INFORMATION, TO BE DRAWN UPON AS
YOU CONSIDER APPROPRIATE IN DISCUSSIONS WITH HOST
GOVERNMENT OFFICIALS.

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2. THE PROBLEM: THE U.S. RECOGNIZES THAT A NUMBER OF

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DEVELOPING COUNTRIES HAVE BEEN SEVERELY AFFECTED BY RECENT CHANGES IN THE WORLD ECONOMIC SITUATION, NOTABLY OIL PRICE RISES AND FOOD AND FERTILIZER SHORTFALLS AND PRICE INCREASES. THE GRAVITY OF THE FINANCING PROBLEM, HOWEVER, VARIES CONSIDERABLY FROM COUNTRY TO COUNTRY, DEPENDING ON SUCH VARIABLES AS EXISTING FOREIGN EXCHANGE RESERVE LEVELS, ACCESS TO IMF AND OTHER FINANCING FACILITIES, TRENDS IN PRICES OF MAJOR EXPORTS AND IMPORTS, AND DOMESTIC ADJUSTMENT POLICIES. WE BELIEVE THAT ONGOING ANALYTICAL WORK IN DEFINING THE DEGREE TO WHICH GIVEN COUNTRIES HAVE BEEN AFFECTED NEEDS TO BE CONTINUED AND STRENGTHENED IN ORDER TO PROVIDE A MORE ACCURATE GUIDE FOR POLICY.

3. THESE CONDITIONS MAKE A PRECISE ACCOUNTING OF THE SIZE OF THE GLOBAL PROBLEM ESPECIALLY DIFFICULT. MOREOVER, THE MSA PROBLEM IS ACTUALLY A SPECIAL, AND CURRENTLY PARTICULARLY DIFFICULT, ASPECT OF THE LONGER-TERM GLOBAL DEVELOPMENT PROBLEM. IN THIS CONTEXT, IT IS THE TOTAL RESOURCE FLOW TO LDCS, AND NOT SOLELY THE INCREMENTAL EMERGENCY BALANCE OF PAYMENTS SUPPORT, WHICH IS RELEVANT. EXTERNAL ASSISTANCE, COMBINED WITH APPROPRIATE DOMESTIC POLICIES, MUST BE AIMED AT INCREASING LONG-TERM PRODUCTION AND EXPORTS IN THE DEVELOPING COUNTRIES.

4. ROLE OF OIL PRODUCERS: THE U.S. CONTINUES TO BELIEVE THAT THE PRIMARY RESPONSIBILITY FOR PROVIDING EMERGENCY BALANCE OF PAYMENTS ASSISTANCE TO MSAS RESTS WITH THE OPEC COUNTRIES, SINCE THE UNPRECEDENTED OIL PRICE INCREASES ARE AT THE ROOT OF THE CURRENT WORLD ECONOMIC DISLOCATION, AFFECTING FERTILIZER, OVERALL PRICES, AND THE ECONOMIC HEALTH OF INDUSTRIALIZED AND DEVELOPING COUNTRIES ALIKE. IN THE FIRST INSTANCE, THEREFORE, WE EXPECT OTHER OIL CONSUMING COUNTRIES, BOTH DEVELOPING AND INDUSTRIALIZED, TO JOIN US IN LOOKING TO THE OIL PRODUCERS FOR ACTIONS TO REDUCE THE CURRENT UNHEALTHY PRICE SITUATION. SECONDLY, WE ALSO WELCOME STATEMENTS FROM A NUMBER OF OPEC COUNTRIES ANNOUNCING VARIOUS FORMS OF AID, AND WE WISH TO ENCOURAGE FURTHER POSITIVE MOVEMENT IN THIS DIRECTION. WE BELIEVE THESE EFFORTS NEED TO BE CATALOGUED AND ANALYZED FOR THEIR SHORT-TERM EFFECTIVENESS IN MEETING THE PROBLEMS DESCRIBED
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IN PARA. 2, ABOVE.

5. U.S. ROLE: GIVEN THE NATURE AND CAUSES OF THE CURRENT WORLD ECONOMIC SITUATION, THE U.S. BELIEVES THAT INTERNATIONAL APPRAISAL OF DONOR COUNTRIES' EFFORTS SHOULD TAKE INTO ACCOUNT THE FACT THAT THE U.S. HAS BEEN THE WORLD'S PRINCIPAL AID DONOR OVER A PERIOD OF NEARLY THREE DECADES. THEREFORE, WE DO NOT BELIEVE THAT MATCHING

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FORMULAE RELATING TO INCREMENTAL AID IN THE CURRENT SITUATION ARE APPROPRIATE OR USEFUL WHEN APPLIED TO THE U.S. AID EFFORTS WHICH, IN THE CURRENT AID BUDGET, ALREADY PROVIDE APPROXIMATELY ONE BILLION DOLLARS TO COUNTRIES DEFINED BY THE UN AS MSAS.

6. THE U.S. RESPONSE TO THE PROBLEM, AS ANNOUNCED BY PRESIDENT FORD, IS A THREE-POINT STRATEGY AIMED AT ALLEVIATING SUFFERING IN THE WORLD'S POORER COUNTRIES, NAMELY: (A) AN INCREASE IN FOOD AID, (B) AN INCREASED EMPHASIS IN OUR ASSISTANCE TO IMPROVING AGRICULTURAL CAPACITY IN DEVELOPING COUNTRIES, AND (C) AN INTERNATIONAL EFFORT ON FOOD RESERVES.

7. INTERNATIONAL COORDINATION: THE U.S. WILL CONTINUE TO UTILIZE EXISTING CHANNELS -- BILATERAL AND MULTILATERAL -- IN DISTRIBUTING OUR AID; WE DO NOT RPT NOT INTEND TO CONTRIBUTE THROUGH THE UNITED NATIONS EMERGENCY PROGRAM OR PROPOSED SPECIAL FUND. WE RECOGNIZE, HOWEVER, THAT OTHER DONORS -- ESPECIALLY THOSE WITHOUT ESTABLISHED AID PROGRAMS -- MIGHT FIND UTILIZATION OF THE UN FACILITIES APPROPRIATE.

8. WE LOOK TO THE NEWLY ESTABLISHED JOINT BANK/FUND MINISTERIAL COMMITTEE (DEVELOPMENT COMMITTEE) AS PROVIDING A FOCAL POINT FOR INTERNATIONAL CONSIDERATION OF BROAD DEVELOPMENT PROBLEMS, BECAUSE OF ITS UNIQUE COMPOSITION COMPRISING OIL PRODUCERS AND DEVELOPING COUNTRIES AS WELL AS THE TRADITIONAL DONORS. WE WILL CONTINUE TO LOOK TO THE DAC AS A MAJOR CAUCUS OF THE TRADITIONAL DONOR COUNTRIES. OUR PARTICIPATION IN SUCH UN EXERCISES AS THE EMERGENCY PROGRAM AND THE AD HOC COMMITTEE OF 36 WILL CONTINUE TO BE LOW KEY, AS OUR MAJOR INTERNATIONAL
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COORDINATING FOCUS WILL BE IN THE OTHER FORUMS. KISSINGER

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TAGS: EFIN, EAID
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